



Cultivating Conflict

*How Astra Agro Lestari, Brands, and Big Finance
Capitalize on Indonesia's Governance Gaps*



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Indonesia's Governance Gaps

June 2024

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I. Introduction

In March 2022, WALHI (Friends of the Earth Indonesia) and Friends of the Earth US published a [report](#) detailing how Indonesia's second-largest palm oil company Astra Agro Lestari (AAL) and three of its subsidiaries—PT Agro Nusa Abadi (ANA), PT Lestari Tani Teladan (LTT), and PT Mamuang—were responsible for flagrant environmental and human rights violations in Central and West Sulawesi, Indonesia. The report documented land grabbing, environmental degradation and pollution of water sources, permitting irregularities, and the criminalization of environmental human rights defenders linked to these AAL subsidiaries.¹ Despite increasing pressure for the company to take responsibility, AAL has failed to publicly acknowledge the impacts of its operations, accept responsibility, or remedy harm.

Two years later, AAL and its parent companies, buyers, and financiers continue to take advantage of weak governance and administrative failures in Indonesia to cultivate conflict in Sulawesi and beyond. Despite repeated calls by impacted communities for AAL to deliver meaningful remedy for harm done, little has changed on the ground. Meanwhile, consumer brands and agribusiness traders whose supply chains feature palm oil produced by AAL, and financiers that bankroll AAL and its parent companies, benefit from Indonesia's complex and shifting governance regimes to maintain business as usual.

This report, in three sections, details how protracted land conflicts, ongoing governance failures, and a lack of accountability define and enable AAL's operations. *Cultivating Conflict in Central and West Sulawesi*, details ongoing cases of land conflict due to violations by AAL and the company's failure to provide meaningful remedy and redress for harm done. *Cultivating Confusion in the Forest Estate*, discusses how AAL's operations inside Indonesia's forest estate benefit from a complex, poorly enforced, and frequently

changing legal regime. Analysis of geospatial data and satellite imagery reveals that 17,664 hectares of AAL's palm oil concessions overlap with Indonesia's forest estate, with the majority of this overlap in Sulawesi, and at least 1,100 hectares of plantation appear to be illegal. Research indicates that three AAL subsidiaries in Sulawesi are operating without the required cultivation permit (HGU). *Enabling Conflict and Evading Responsibility*, details the failures of most of AAL's buyers and financiers to hold the company responsible for ongoing violations by enabling AAL's conflict palm oil to be sold on the global market.

Since 2022, when AAL's environmental and human rights violations in Sulawesi were highlighted, the company's buyers and financiers have been forced to respond. Ten consumer goods companies announced they were suspending palm oil sourcing from AAL or from its three implicated subsidiaries.² The most recent mill data reveals that at least 18 consumer brands have a recent history of sourcing from AAL, and agribusiness traders—including ADM, Bunge, Cargill, Fuji Oil, Louis Dreyfus Company, and Olam—are sourcing from the mills associated with AAL subsidiaries PT ANA, PT LTT, and PT Mamuang.

In 2024, Norges Bank announced that it had excluded AAL parent companies Jardine Matheson Holdings, Jardine Cycle & Carriage, and Astra International from the Norwegian Government Pension Fund Global (GPF) due to negative environmental and biodiversity impacts,³ referencing AAL's ongoing conflicts in Sulawesi in its decision, among other issues.⁴ In 2023, Dutch pension fund PFZW divested from AAL's parent company Astra International,⁵ and BlackRock—the world's largest asset manager—voted against the reelection of AAL's board of directors and commissioners due to “adverse impacts associated with their palm oil operations such as allegations that AAL had seized land from local farmers, operated with poor

environmental standards, and was implicated in human rights abuses ...”⁶ In 2022, BlackRock voted against directors and commissioners at AAL’s parent company, Astra International, due to the same concerns.⁷ In total, 29 financiers have excluded Jardine Matheson and/or its subsidiaries from financing due to climate and environmental concerns.⁸

Despite these actions, AAL has stated that community grievances and civil society allegations are “baseless” and do not reflect conditions on the ground.⁹ Meanwhile, communities on the front lines of AAL’s operations continue to face intimidation, violence, and criminalization and to call on AAL to return land taken without consent, provide compensation for loss of lands and livelihoods, and restore degraded forests, rivers, and waterways.

In March 2023, AAL hired consulting group Eco Nusantara to further investigate the allegations of environmental and human rights violations by its three subsidiaries PT ANA, PT LTT, and PT Mamuang. However, the scope of investigation was unilaterally dictated by AAL, selective in its focus, and biased toward maintaining the status quo, thus resulting in incomplete, inadequate, and inaccurate findings. The investigation and resulting report failed to examine numerous critical allegations, including permitting irregularities, environmental degradation to rivers, several cases of criminalization, and, perhaps most notably, whether AAL and its subsidiaries ever attempted to gain the Free, Prior and Informed Consent (FPIC) of impacted communities. FPIC was not mentioned once in Eco Nusantara’s 2023 verification report.¹⁰

In February 2024, AAL reappointed Eco Nusantara to assist in developing an action plan to put into effect recommendations based on the previous investigation and report.¹¹ Given that the investigation and the resulting report did not examine the majority of grievances, including FPIC, there are serious concerns that AAL is attempting to evade responsibility.

A draft of this report was shared with AAL prior to publication, and the company’s response can be found here: <https://foe.org/aal-response-foe-report>. While AAL contests many of the findings presented in this report, the company is not able to provide the necessary evidence to substantiate all its claims. There are contested sources of data and documentation, which should compel the Indonesian government, including the Ministry of Agrarian Affairs and Spatial Planning, to examine AAL’s maps and permits, as well as investigate documented allegations of environmental degradation and pollution, criminalization and intimidation of community leaders and environmental human rights defenders, and the lack of Free, Prior, and Informed Consent for AAL’s operations.

The report concludes with recommendations for remedy and redress and improved forest governance, in hopes that all relevant actors will contribute toward resolving protracted land conflicts. Given the high-risk context, companies and financiers should conduct heightened due diligence and adhere to global norms by suspending sourcing from, and halting financing to, AAL and its parent companies until government intervention is able to ensure clarity and resolution. To advance this objective, rather than taking advantage of Indonesia’s governance gaps, companies sourcing from and financing AAL should call on the Indonesian government to resolve land conflicts, review concession permits, and require AAL to redress grievances, restore damaged ecosystems, and return stolen land.

II. Key Findings

- 17 AAL subsidiaries' concessions overlap with 17,664 hectares of Indonesia's forest estate. 74 percent of AAL's concessions in the forest estate are in Sulawesi, where 7 AAL subsidiaries' concessions overlap with more than 13,000 hectares of Indonesia's forest estate.
- At least 1,100 hectares of AAL's palm oil plantations in Indonesia's forest estate appear to be illegal.
- 3 AAL subsidiaries in Sulawesi are operating without the required cultivation permit (HGU).
- According to recent mill data, ADM, Bunge, Cargill, Fuji Oil, Louis Dreyfus, and Olam source palm oil from mills associated with implicated AAL subsidiaries PT ANA, PT LTT, and PT Mamuang. Apical, KLK, Musim Mas, Sime Darby, and Wilmar source from other AAL subsidiaries.
- At least 18 global consumer brands have a recent history of sourcing palm oil from AAL.
- Twenty-nine financiers have excluded AAL parent company Jardine Matheson and/or its subsidiaries from financing due to environmental concerns, while others, including BlackRock, Vanguard, HSBC and Dutch pension fund ABP, continue to provide substantial financing to AAL and its parent companies.



Palm oil factory owned by PT Sawit Jaya Abadi 2 in East Pamona sub-district, Poso Regency | March 2024

Intimidation and criminalization

In December 2023, two days after a video circulated featuring two local women calling on AAL to return communities' lands,¹³ AAL staff visited the women in Rio Mukti village and asked them to recant their statements. The case of intimidation was referred to Indonesia's National Commission on Human Rights (Komnas HAM) and to the office of the United Nations Special Rapporteur for Human Rights Defenders, which publicly addressed the case.¹⁴ In April and May 2024, one of the women subject to intimidation and a community leader traveled to London to raise AAL's negative environmental and human rights impacts directly with Jardine Matheson (AAL's parent company), HSBC (a bank that finances AAL and its parent companies), and Unilever (a consumer brand that continues to source palm oil from AAL). During the visit to London, security staff from PT Mamuang visited family members of both the woman and the community leader, inquiring about their whereabouts. Family members stated they felt intimidated by these visits.

WALHI has documented several instances of criminalization of farmers and environmental human rights defenders linked to AAL and its subsidiaries in the villages of Polanto Jaya, Bunta, and Kabuyu, including brothers Sudirman and Gusman who were imprisoned for allegedly stealing palm oil fruit from lands their family owns and manages.¹⁵ These cases add to a sordid history of violence and criminalization against community leaders and environmental human rights defenders who have stood up to AAL in defense of their lands and livelihoods,¹⁶ which require follow-up from Komnas HAM and the Indonesian government.

Despite global efforts to reform the sector, such abuses continue to be routine in the palm oil industry and characterize industrial agribusiness more broadly, which is a major contributor to deforestation, violations of Indigenous Peoples and communities' rights, and a growing epidemic of violence against environmental human rights defenders worldwide. On average, a defender was killed every other day in 2022.¹⁷ Globally, at least 1,910 defenders were killed between 2012 and 2022,¹⁸ with agribusiness identified as one of the deadliest sectors.



A member of the Sinar Rio Jaya Farmers Group, Rio Mukti village, Donggala Regency | March 2024



Nickel mining industrial area owned by PT Gunbuster Nickel Industry adjacent to PT ANA 's concession area in East Petasia District, North Morowali Regency | March 2024

AAL's flawed investigation

In March 2023, AAL hired consulting group Eco Nusantara to investigate allegations of environmental and human rights violations by its subsidiaries.¹⁹ Eco Nusantara had been hired by consumer brand Procter & Gamble to investigate similar allegations in 2022 following the publication of WALHI and Friends of the Earth US's March 2022 report. In August 2022, Eco Nusantara released a verification report that broadly affirmed many of the violations documented by WALHI and Friends of the Earth US, including affirming community members' rights to land being claimed by PT Mamuang, instances of "violence perpetrated by the security forces against communities," and the lack of an FPIC process by PT LTT.²⁰

Despite assurances that the Terms of Reference (TOR) for the 2023 investigation would include civil society input, AAL announced a finalized TOR for the investigation in March 2023²¹ without sharing the TOR with WALHI or Friends of the Earth US, the complainants in the case. Neither AAL nor its consultants consulted with impacted communities or civil society on what should be included in the TOR prior to its finalization, which was apparent in the terms decided for the investigation. When the TOR was eventually shared, WALHI

and Friends of the Earth US found it to be significantly flawed, due to several factors: the implication that AAL was the rightful owner of land and that communities did not have pre-existing land rights; the suggestion that communities must prove their land rights using positive law, thus ignoring critical context regarding customary land rights in Indonesia; and the preemptive suggestion of delivering redress through a partnership model between communities and AAL, despite communities never having requested such an outcome, among others.

In June 2023, WALHI and Friends of the Earth US directly shared and published an analysis of the TOR, which proposed that investigation should focus on AAL's land acquisition processes, permitting history, and business operations.²² AAL's consultant Robertsbridge responded favorably to the June 2023 analysis and stated there would be no issues analyzing AAL's permitting irregularities, seeking evidence that AAL received FPIC from impacted communities, and examining the breadth of AAL's environmental impacts. However, in September 2023, AAL's consultants informed Friends of the Earth US that the verification report based on the original TOR was nearly complete.

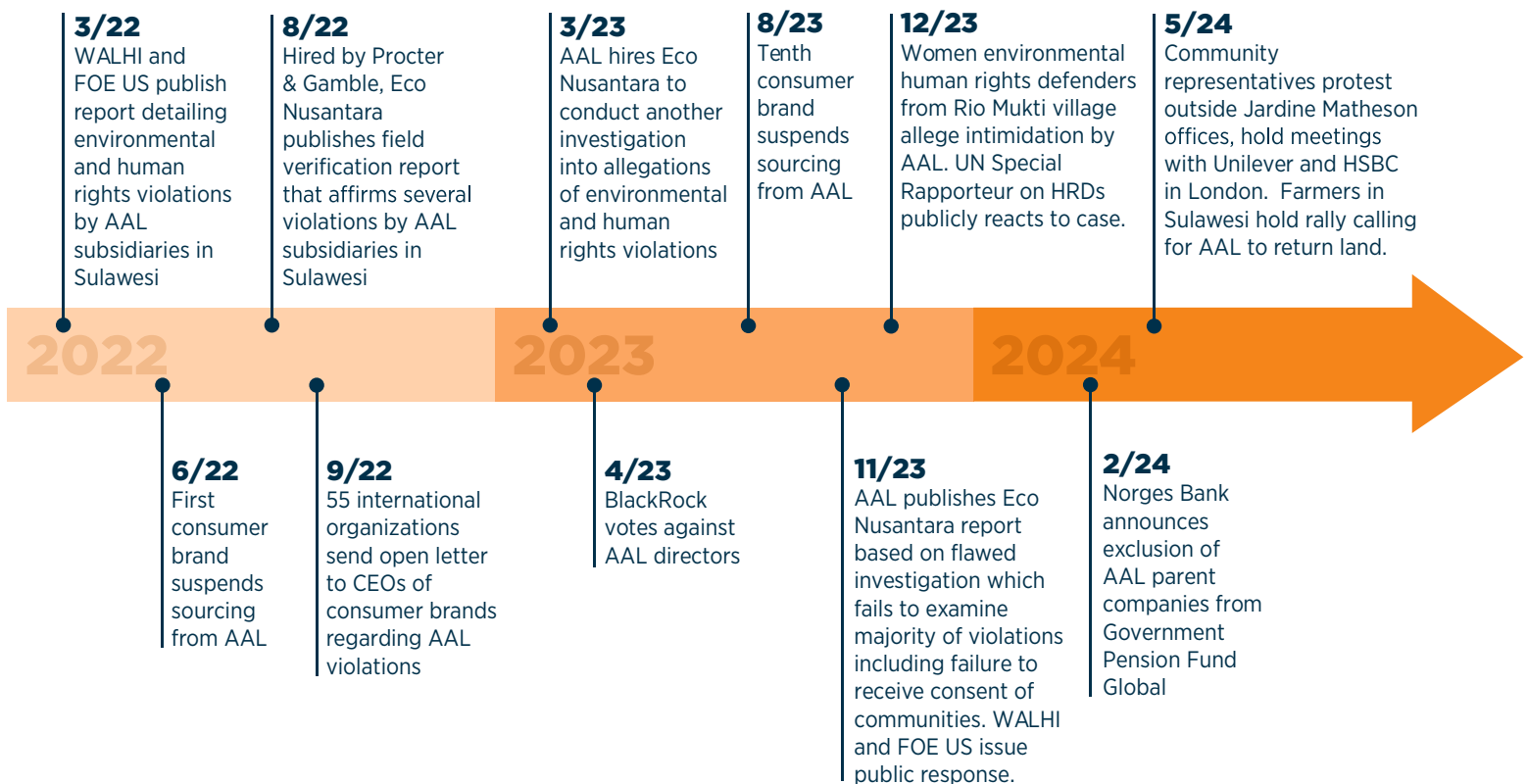
AAL and Eco Nusantara’s investigation proceeded based on the initial, problematic TOR without taking into account any of the recommendations provided. As a result, the investigation and subsequent report failed to examine a number of critical allegations, including permitting irregularities by AAL subsidiaries, environmental degradation to rivers and waterways, several cases of criminalization and—perhaps the most notable omission—whether AAL and its subsidiaries ever attempted to gain the Free, Prior and Informed Consent of impacted communities. The recommendations provided in AAL and Eco Nusantara’s 2023 report sought to maintain the status quo and absolve AAL and its subsidiaries of any responsibility. A full analysis and response to AAL and Eco Nusantara’s investigation by WALHI and Friends of the Earth US was published in November 2023.²³

In February 2024, AAL reappointed Eco Nusantara to assist in developing an action plan to put into effect recommendations

based on the previous investigation and report.²⁴ Given that the investigation and resulting report did not examine the majority of grievances, including FPIC, there are serious concerns that AAL is continuing to absolve itself of responsibility through a unilaterally dictated process.

In May 2024, AAL announced that it had developed an action plan based on the flawed investigation and report.²⁵ The action plan, like the preceding investigation, was unilaterally decided and does not reflect the demands for remedy and redress put forward by communities that have suffered at the hands of AAL and its subsidiaries. Nowhere in the action plan does it state that AAL will return land to communities that was taken without their consent, nor does the action plan seek to address the lack of FPIC. Instead, AAL’s action plan reflects a development model that places the well-being of communities in the hands of AAL, a private company, rather than recognizing communities as rightsholders with self-determination.

AAL in Sulawesi: Timeline of Recent Events



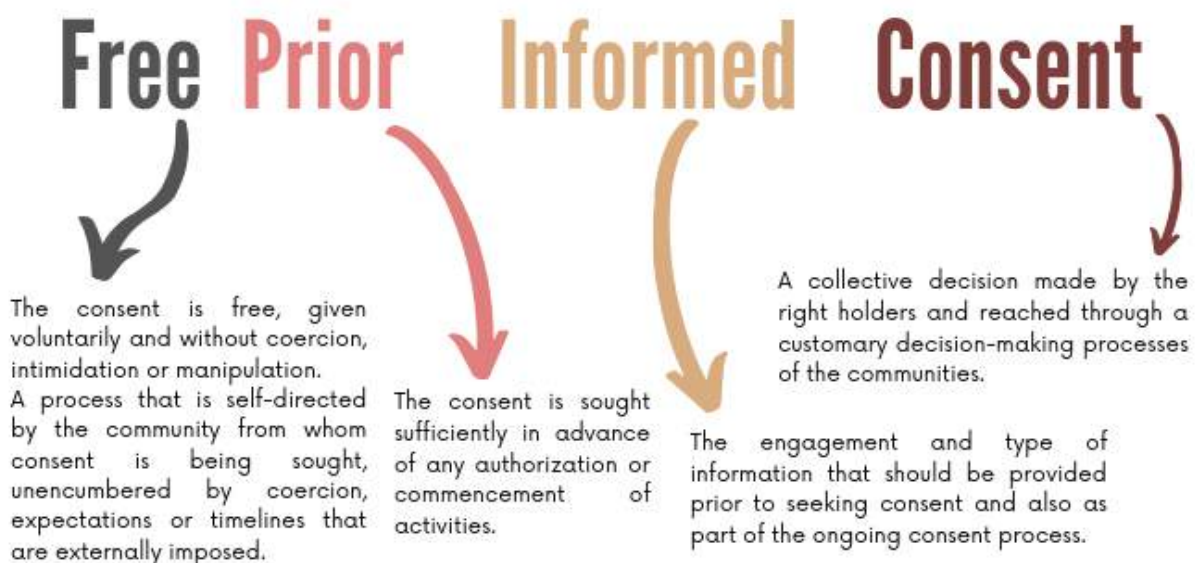
Lack of Free, Prior and Informed Consent

Respect for the international right to Free, Prior and Informed Consent—and implementation of a proper FPIC process—is a critical factor for distinguishing between legitimate land acquisition and land grabbing and preventing land conflict and associated human rights abuses. Despite being a central grievance in this case, AAL’s 2023 verification report made no mention of FPIC.²⁶ When questioned, AAL and Eco Nusantara incorrectly asserted that FPIC was not relevant, because it was not required at the time when two of the implicated AAL subsidiaries started operations.²⁷ However, this is patently false. Numerous international laws and frameworks make it clear that FPIC applies throughout the lifetime of operations of a project (and applies to impacts following the end of operations/projects). Importantly, FPIC is particularly relevant and applicable when communities are in conflict with a company, are being displaced from their lands, or are facing impacts to their lands and territories. The United Nations Food and Agriculture Organization (FAO) states, “FPIC allows Indigenous Peoples to provide or withhold/ withdraw consent, at any point, regarding projects impacting their territories.”²⁸

The Accountability Framework initiative (AFi) clearly indicates that FPIC is required in various contexts, including during the expansion of

activities that may infringe upon Indigenous Peoples or local communities’ rights, lands, or livelihoods; when remediating harms when a company has caused or contributed to the appropriation of, or harm to, the lands, territories, or resources of Indigenous Peoples or local communities without first securing FPIC; and when there is ongoing land conflict between impacted communities and a company.²⁹ Specifically, in regard to active land conflicts—as is the case of AAL and its subsidiaries in Sulawesi—AFi states, “the company is required to halt any efforts to acquire or gain control of land, resources, or territories related to the conflicts until they are addressed through an FPIC process.”³⁰

In its response to Friends of the Earth,³¹ AAL agrees “that FPIC is an ongoing process, particularly when considering any form of grievance or remediation.” However, in the same response AAL suggests that civil society groups are solely calling for AAL to retroactively implement an FPIC process now. This is inaccurate. Rather, AAL failed to uphold its obligations to FPIC by not seeking consent when conflicts arose and communities began to be displaced. AAL says it did consult with communities in order to receive the necessary permits to begin operations—but consultation is not consent, and while AAL may have conducted consultations, these are not a replacement for a process to gain the FPIC of communities that should have occurred



years ago. The fact that conflicts began when communities started facing negative impacts, including displacement from their lands, is sufficient demonstration that impacted communities did not and have not given their consent for AAL's operations.

While AAL says it is committed to improving its FPIC policies, practices, and systems moving forward, AAL has a responsibility to ensure grievance redress and remedy to communities negatively impacted by AAL's lack of FPIC in Sulawesi. If AAL is unable to gain the consent of impacted communities to operate on their lands (or show evidence that it previously received consent), it should commit to working with the relevant authorities, including the Government of Central Sulawesi and Ministry

of Agrarian Affairs and Spatial Planning, to ensure the return of those lands back to the communities and farmers who have legitimate claims to them.

Notably, the Government of Central Sulawesi recommended the return of 283 hectares of land from PT ANA to farmers in April 2024.³² While communities' and farmers' claims to land taken by PT ANA and other AAL subsidiaries are considerably larger, the government's action provides important precedent. In May 2024, the East Petasia Farmers Union held protests outside the North Morowali Regency Land Agency Office and the North Morowali Regent's Office demanding PT ANA return land to farmers and face sanctions for ongoing violations.

Community demands for redress and remedy

Communities on the front lines of AAL's destructive operations in Sulawesi continue to call on AAL to:

- Return land to communities that was taken without their consent.
- Provide compensation to farmers for loss of lands, crops, and livelihoods.
- Conduct environmental restoration to damaged and degraded forests, rivers, and waterways.
- Stop the criminalization and clear the names of environmental and human rights defenders who have been criminalized.
- Issue a public apology for harm done.

Members of the East Petasia Farmers Union on their land which is claimed by PT ANA in East Petasia District, North Morowali Regency | March 2024



IV. Cultivating Confusion in the Forest Estate

Governance gaps

As communities in Sulawesi continue to demand redress, new research reveals that AAL's environmental and governance violations may be more widespread than initially documented. One of the main causes of protracted land conflicts in Central and West Sulawesi is the government's failure to provide legal clarity regarding customary land ownership and to recognize the land rights of communities. However, the government's failure to apply the applicable regulations to the issuance of cultivation permits (HGU), including failing to ensure proper implementation of FPIC as part of the process to transfer land rights from communities to a company, also contributes to ongoing conflict and confusion. Weak law enforcement and a closed permit issuance process enable Astra Agro Lestari (and many other companies) to deforest and convert Indonesia's forests to monoculture plantations at a shocking scale and pace.

While deforestation in Indonesia had been trending downward since 2016, rates of primary forest loss began rising again in 2022, particularly in frontier areas. 2023 saw a rise in deforestation caused by industrial palm oil plantations for the second year after a decade-long decline, with about 30,000 hectares of forests cleared for palm oil plantations across the archipelago.³³

Indonesia's forest estate is a legally designated forest area that includes categories for production, protection, and conservation. By law, the only category of forest that can be converted into plantations is "Conversion Production Forests," with all other areas off-limits.³⁴ In turn, deforestation and conversion of Conversion Production Forests can take place only when a company has received all necessary permits, including a forest

release letter and *Hak Guna Usaha* (HGU), or cultivation permit.³⁵ Yet, according to the Secretary General of the Ministry of Environment and Forestry, companies operating on 1.2 million to 1.7 million hectares of land inside the forest estate have not applied for the required release of forest areas.³⁶ Despite a Supreme Court ruling, the government of Indonesia refuses to publish cultivation permits for public review³⁷—hence scientists, civil society, community members, and others rely on well-referenced public data,³⁸ as is the case here.

The presence of palm oil plantations in Indonesia's forest estate is a persistent legal challenge. One report found that approximately 3.28 million hectares, accounting for 20% of all palm oil plantations in Indonesia, have been planted in the forest estate, including in no-go areas.³⁹ Almost half of industrial plantations in Indonesia's forest estate were found to be planted outside of designated concession areas.⁴⁰ At least 200,000 hectares of palm oil plantations have been identified as illegally established in Protected Forest and Conservation Forest Areas,⁴¹ and the Secretary General has confirmed that these areas have to be restored as forests, with some companies required to pay fines.⁴²

Indonesian law dictates that the government cannot designate areas of forest estate that overlap with existing cultivation permits—yet, as noted below, there are several cases where AAL argues that it held cultivation permits prior to the establishment of the forest estate and therefore had, and has, the legal right to deforest and cultivate on lands currently designated off-limits. The Indonesian government is trying to resolve these issues through a process that provides amnesty for companies' past violations, under the Omnibus Bill (Job Creation Law - Undang-Undang

Cipta Kerja—UUCK Law No. 6 of 2023). The amnesty process was required to be finalized by November 2023, and according to public databases there is no indication that any AAL subsidiaries have been granted amnesty through this process.⁴³ Notably, none of AAL's subsidiaries operating illegally in the forest estate in Sulawesi are listed in relevant databases, according to data from the Ministry of Environment and Forestry. According to articles 110A and 110B of the Omnibus bill, these companies should therefore be sanctioned.

Until the Government of Indonesia ensures that land use data, including concession maps, cultivation permits, and other legal documents are made available to the public, companies will continue to hide violations behind arguments of data quality, leading to the continuation of land conflicts and corporate impunity for producers, and financial and reputational risks for financiers and downstream companies.

While administrative confusion may shield companies in the short-term, emerging global regulatory frameworks provide additional incentive for both AAL and the government of Indonesia to provide clarity and legal certainty. Indications of environmental and human rights violations and permitting irregularities by AAL's subsidiaries across Indonesia will be concerning to companies placing products on the European market, as, starting in

January 2025, compliance with the European Deforestation Regulation (EUDR) requires companies to demonstrate supply chains free of deforestation that occurred after December 31, 2020, and require legal compliance.⁴⁴ The EUDR bars imports of products linked to violations of national legislation, which includes respecting the right to Free, Prior and Informed Consent set out in the United Nations Declaration on the Rights of Indigenous Peoples, tax and land rights regulations, and human rights protected under international law.⁴⁵ In case of noncompliance, companies can face significant sanctions, including fines, confiscation of goods, and a prohibition against placing commodities on the market.⁴⁶

New data, conflicted interpretations

Analysis⁴⁷ of spatial data and GIS satellite mapping conducted by Genesis Bengkulu found that AAL has 41 subsidiaries and 32 units of palm oil mills over an area of 357,624 hectares spread across eight provinces.⁴⁸ Notably, this is a larger area than AAL describes on its website, likely because AAL lists only its core plantations and not the total area of plantation concessions.⁴⁹ The exact area is unclear due to a lack of transparency regarding concession data, which the Indonesian government should resolve. AAL's largest area of concessions is in Central Sulawesi with nearly 86,000 hectares.



A truck carrying palm oil passes through Rio Mukti village, Donggala Regency | March 2024

Table 1: AAL's concessions in 8 provinces

No.	Name	Regency	Province	Area (hectares)	Number of palm oil mills
1	PT. Sari Lembah Subur	Pelalawan	Riau	21,856	2
2	PT. Eka Dura Indonesia	Upper Rokan	Riau	7,397	1
3	PT. Tunggal Perkasa Plantation	Aceh Jaya	Aceh	1,381	0
		Upper Indragiri	Riau	15,643	1
4	PT. Sawit Asahan Indah	Upper Rokan	Riau	7,762	1
5	PT. Kimia Tirta Utama	Siak	Riau	8,900	1
6	PT. Perkebunan Lembah Bhakti	Aceh Singkil	Aceh	180	2
7	PT. Karya Tanah Subur	West Aceh	Aceh	4,957	1
8	PT. Sari Aditya Loka	Sarolangun	Jambi	5,253	2
9	PT. Letawa	Pasangkayu	West Sulawesi	10,713	1
10	PT. Pasangkayu	Pasangkayu	West Sulawesi	9,319	1
11	PT. Mamuang	Pasangkayu	West Sulawesi	8,175	0
12	PT. Suryaraya Lestari	Pasangkayu and Central Mamuju	West Sulawesi	No Data	2
13	PT. Bhadra Sukses	-	West Sulawesi	No Data	No Data
14	PT. Lestari Tani Teladan	Donggala	Central Sulawesi	6,608	1
15	PT. Cipta Agro Nusantara	North Morowali	Central Sulawesi	17,104	0
16	PT. Rimbunan Alam Sentosa	North Morowali	Central Sulawesi	17,174	0
17	PT. Sawit Jaya Abadi	Poso and North Morowali	Central Sulawesi	25,681	1
18	PT. Agro Nusa Abadi	North Morowali	Central Sulawesi	19,267	1
19	PT. Gunung Sejahtera Dua Indah	West Kotawaringin	Central Kalimantan	8,947	1
20	PT. Gunung Sejahtera Puti Pesona	Kotawaringin	Central Kalimantan	9,155	1
21	PT. Gunung Sejahtera Ibu Pertiwi	West Kotawaringin	Central Kalimantan	6,762	1
22	PT. Surya Indah Nusantara Pagi	West Kotawaringin	Central Kalimantan	7,852	1
23	PT. Agro Menara Rachmat	West Kotawaringin	Central Kalimantan	7,449	0
24	PT. Bhadra Cemerlang	West Kotawaringin	Central Kalimantan	1,899	0
25	PT. Nirmala Agro Lestari	Lamandau	Central Kalimantan	9,631	1
26	PT. Gunung Sejahtera Yoli Makmur	West Kotawaringin	Central Kalimantan	4,399	0

27	PT. Persada Bina Nusantara Pagi	West Kotawaringin	Central Kalimantan	4,545	0
28	PT. Gunung Sejahtera Raman Permai	-	Central Kalimantan	No Data	No Data
29	PT. Karyanusa Ekadaya	East Timur	East Kalimantan	23,040	2
30	PT. Waru Kaltim Plantation	Penajam North Paser	East Kalimantan	6,448	1
31	PT. Sukses Tani Nusasubur	Penajam North Paser	East Kalimantan	7,807	1
32	PT. Borneo Indah Marjaya	Paser	East Kalimantan	7,359	1
33	PT. Palma Plantasindo	Paser	East Kalimantan	10,988	0
34	PT. Cipta Narada Lestari	East Timur	East Kalimantan	6,780	0
35	PT. Subur Abadi Plantation	East Timur	East Kalimantan	7,603	0
36	PT. Sumbur Kharisma Persada	East Timur	East Kalimantan	No Data	1
37	PT. Astra Agro Lestari	Tabalong	South Kalimantan	3,779	1
38	PT. Subur Agro Makmur	South Hulu Sungai	South Kalimantan	11,695	1
39	PT. Cakradenta Agung Pertiwi	Balangan	South Kalimantan	2,110	0
40	PT. Cakung Permata Nusa	Tabalong	South Kalimantan	9,950	1
41	PT. Tri Buana Mas	Tapin	South Kalimantan	12,056	0
42	PT. Persada Dinamika Lestari	-	South Kalimantan	No Data	No Data
TOTAL				357,624	32



East Petasia Farmers Union Demonstrate Outside North Morowali Government Offices Calling for Return of Land from PT | May 16 2024

By examining the overlay between AAL's concessions and Indonesian forest areas, the analysis found that 17 AAL subsidiaries' concessions overlap with over 17,664 hectares of Indonesia's forest estate in six provinces: Riau, South Kalimantan, East Kalimantan,

Central Kalimantan, West Sulawesi, and Central Sulawesi. 74 percent of AAL's concessions in the forest estate are in Sulawesi, where 7 AAL subsidiaries' concessions overlap with more than 13,000 hectares of Indonesia's forest estate.

Table 2: AAL subsidiaries concession overlap with forest estate in 6 provinces

No	AAL subsidiary	Regency	Province	Area of overlap (hectares)	Forest Category	Legal Status
1	PT. Tunggal Perkasa Plantation	Upper Indragiri	Riau	1,875.23	Conversion Production Forest	903/MENLHK/SETJEN/PLA.2/12/2016
2	PT. Eka Dura Indonesia	Upper Rokan	Riau	26.71	Conversion Production Forest	903/MENLHK/SETJEN/PLA.2/12/2016
3	PT. Gunung Sejahtera Ibu Pertiwi	West Kotawaringin	Central Kalimantan	314.34	Permanent Production Forest	529/MENHUT-II/2012
4	PT. Surya Indah Nusantara Pagi	West Kotawaringin	Central Kalimantan	239.13	Permanent Production Forest	529/MENHUT-II/2012
5	PT. Agro Menara Rachmat	West Kotawaringin	Central Kalimantan	189.68	Permanent Production Forest	529/MENHUT-II/2012
6	PT. Bhadra Cemerlang	West Kotawaringin	Central Kalimantan	38.80	Permanent Production Forest	529/MENHUT-II/2012
7	PT. Persada Bina Nusantara Pagi	West Kotawaringin	Central Kalimantan	35.46	Permanent Production Forest	529/MENHUT-II/2012
8	PT. Subur Angro Makmur	South Hulu Sungai	South Kalimantan	1,341.61	Conversion Production Forest	435/MENHUT-II/2009
9	PT. Cakung Permata Nusa	Tabalong	South Kalimantan	540.41	Conversion Production Forest	529/MENHUT-II /2012
10	PT. Berneo Indah Marjaya	Paser	East Kalimantan	54.94	Natural Reserve	718/MENHUT-II/2014
11	PT. Letawa	Pasangkayu	West Sulawesi	139.96	Conversion Production Forest	862/MENHUT-11/2014
12	PT. Pasangkayu	Pasangkayu	West Sulawesi	617.00	Protected Forest	862/MENHUT-11/2014
13	PT. Mamuang	Pasangkayu	West Sulawesi	22.19	Protected Forest	862/MENHUT-11/2014
				239.17	Conversion Production Forest	862/MENHUT-11/2014
14	PT. Cipta Agro Nusantara	North Morowali	Central Sulawesi	178.38	Limited Production Forest	869/MENHUT-11/2014
				4,632.96	Permanent Production Forest	869/MENHUT-11/2014
15	PT. Sawit Jaya Abadi	North Morowali	Central Sulawesi	46.91	Protected Forest	869/MENHUT-11/2014
				725.58	Permanent Production Forest	869/MENHUT-11/2014

16	PT. Rimbunan Alam Sentosa	North Morowali	Central Sulawesi	1,319.13	Protected Forest	869/MENHUT-11/2014
				1,836.52	Limited Production Forest	869/MENHUT-11/2014
				134.73	Permanent Production Forest	869/MENHUT-11/2014
				3,048.70	Conversion Production Forest	869/MENHUT-11/2014
17	PT. Agro Nusa Abadi	North Morowali	Central Sulawesi	66.06	Protected Forest	869/MENHUT-11/2014
Total				17,663.60		

Genesis Bengkulu found that in 2015, 14 AAL subsidiaries had planted 4,337 hectares of palm oil in their concessions inside Indonesia’s forest estate. By 2023, eight AAL subsidiaries had expanded plantations by an additional 534 hectares. In total, 1,100 hectares of plantations inside concessions were found in the forest estate outside of Conversion Production Forests—the only category of forests allowed to be legally converted—and therefore, appear to be in violation of Indonesian law.⁵⁰ Genesis Bengkulu did not analyze AAL plantations outside concessions areas, which means the area of AAL’s plantations in the forest estate may be much higher.

In its response, AAL provided reference to forest release letters to show that it has

received the required permits to operate in Indonesia’s forest estate and that in several cases the forest estate designation was made after the cultivation permit was issued.⁵¹ However, as noted above, under Indonesian law, the government cannot designate forest estate areas overlapping with existing cultivation permits. This highlights the need for clarification regarding AAL’s permitting irregularities. Furthermore, in a May 2024 meeting between WALHI and the Ministry of Environment and Forestry (MoEF), the MoEF clarified that two AAL subsidiaries in Sulawesi—PT Pasangkayu and PT Letawa—have not received the necessary forest release letters for forest areas designated in 2014, thus rendering their operations in violation of Indonesian law.



PT ANA’s concession area is adjacent to PT Gunbuster Nickel Industry’s industrial nickel mining industrial area in North Morowali Regency | March 2024

Table 3: AAL palm oil plantation inside forest estate in 2015 and 2023

No	AAL subsidiary	Regency	Province	Forest Category	Legal Status	Area of plantation (hectares)	
						2015	2023
1	PT. Tunggal Perkasa Plantation	Upper Indragiri	Riau	Conversion Production Forest	903/MENLHK/SETJEN/PLA.2/12/2016	1,334	41.24
2	PT. Eka Dura Indonesia	Upper Rokan	Riau	Conversion Production Forest	903/MENLHK/SETJEN/PLA.2/12/2016	21.65	0
3	PT. Gunung Sejahtera Ibu Pertiwi	West Kotawaringin	Central Kalimantan	Permanent Production Forest	529/MENHUT-II/2012	267.07	0
4	PT. Surya Indah Nusantara Pagi	West Kotawaringin	Central Kalimantan	Permanent Production Forest	529/MENHUT-II/2012	239.13	0
5	PT. Agro Menara Rachmat	West Kotawaringin	Central Kalimantan	Permanent Production Forest	529/MENHUT-II/2012	93.27	41
6	PT. Bhadra Cemerlang	West Kotawaringin	Central Kalimantan	Permanent Production Forest	529/MENHUT-II/2012	36.33	0.52
7	PT. Subur Angro Makmur	South Hulu Sungai	South Kalimantan	Conversion Production Forest	435/MEHUT-II/2009	129.3	3.77
8	PT. Cakung Permata Nusa	Tabalong	South Kalimantan	Conversion Production Forest	529/MENHUT-II/2012	385.9	0
9	PT. Berneo Indah Marjaya	Paser	East Kalimantan	Natural Reserve	718/MENHUT-II/2014	44.88	1.79
10	PT. Letawa	Pasangkayu	West Sulawesi	Conversion Production Forest	862/MEHUT-11/2014	81.84	30.55
11	PT. Pasangkayu	Pasangkayu	West Sulawesi	Protected Forest	862/MEHUT-11/2014	101.63	115.75
12	PT. Mamuang	Pasangkayu	West Sulawesi	Protected Forest	862/MEHUT-11/2014	2.96	0
				Conversion Production Forest	862/MEHUT-11/2014	139.63	0
13	PT. Cipta Agro Nusantara	North Morowali	Central Sulawesi	Limited Production Forest	869/MEHUT-11/2014	29.59	0
				Permanent Production Forest	869/MEHUT-11/2014	37.99	0
14	PT. Rimbunan Alam Sentosa	North Morowali	Central Sulawesi	Protected Forest	869/MEHUT-11/2014	0	4.69
				Limited Production Forest	869/MEHUT-11/2014	0	37.99
				Permanent Production Forest	869/MEHUT-11/2014	29.52	42.99
				Conversion Production Forest	869/MEHUT-11/2014	1,362.68	213.41
TOTAL						4,337.37	533.69

Genesis Bengkulu used spatial data and GIS satellite mapping to measure cleared land in AAL’s subsidiaries’ concessions within forest estate areas⁵² and found that 14 AAL concession subsidiaries are linked to 10,321 hectares of land clearing that occurred between 2015 and 2023 inside Indonesia’s forest estate.

When Friends of the Earth shared these findings with AAL, the company stated that Genesis Bengkulu’s research is inaccurate, as it is not derived from government maps.⁵³ As noted above, Genesis Bengkulu’s research is based on well-referenced publicly available data for company concessions in Indonesia; AAL did not share its official concession coordinates.

Government data presented in the Bhumi ATR/BPN portal differs from both AAL’s claims and Nusantara Atlas—the source for Genesis Bengkulu’s research. However, the government portal does not identify companies by name

and does not include companies operating without cultivation permits—significant gaps that cast doubts on the accuracy and comprehensiveness of data. As can be seen in the table below, the substantial differences between datasets reinforce the need for greater transparency and scrutiny of AAL’s operations, including company permits and impacts in the forest estate.

AAL also argues that there is no deforestation in its concessions, except for a very small amount in the conservation area of PT Agro Manara Rachmat. Instead, the company says that land clearance is replanting of existing palm oil plantations.⁵⁴

As AAL claims that it has differing maps for its concessions and operations, the Ministry of Agrarian Affairs and Spatial Planning should investigate these discrepancies, alongside environmental and human rights violations by AAL and its subsidiaries.

Table 4: Concession Data for AAL Companies Across Different Regions of Indonesia (in hectares)

Data Source	Sumatra	Kalimantan	Sulawesi	Total
AAL Reporting	105,270	130,840	50,934	287,044
Bhumi ATR/BPN	34,366	119,554	38,200	192,120
Nusantara Atlas	73,327	174,009	111,581	358,917

Lack of cultivation permits (HGU)

AAL is one of many companies in the Indonesian palm oil sector with subsidiaries that appear to lack cultivation permits (*Hak Guna Usaha*, or HGU)—a legal requirement for operations in Indonesia’s forest estate. Research shows that by 2023 around half of all relevant plantations in Indonesia did not have cultivation permits⁵⁵ and that roughly 3 million hectares of palm oil plantations have been planted in the forest estate, including in no-go areas.⁵⁶ Around half of all palm oil plantations

in the forest estate are industrial in scale,⁵⁷ indicating direct corporate culpability.

There are various reasons why palm oil companies avoid applying for HGU permits or are unable to receive them, including to avoid certain taxes, the fact that the land in question overlaps with other sectors, legacy land conflicts, unwillingness to develop mandated community plantations, and the potential for the eventual withdrawal of permits from concessions that cannot be legally converted.

Companies that lack the necessary permits cannot be properly taxed, resulting in substantial losses for the Indonesian government. A January 2023 report found that, in Central Sulawesi Province, 43 companies controlling 411,000 hectares of land lack cultivation permits.⁵⁸ The report, based on data presented by the Governor of Central Sulawesi, estimated that the Indonesian government loses 400 billion rupiah (more than 25.5 million USD) a year due to companies' failures to procure the required legal permits.⁵⁹

AAL's lack of permits may constitute tax avoidance and contributes to an annual shortfall in taxes of 400 billion rupiah (more than 25.5 million USD), according to data presented by the Governor of Central Sulawesi.

As permitting irregularities, corruption, and a flagrant lack of transparency continue to plague Indonesia's palm oil sector,⁶⁰ this finding prompts the question: How many AAL companies lack legal permits—and why?

In March 2022, WALHI and Friends of the Earth US revealed that AAL subsidiary PT ANA is among the many concessions that does not have a cultivation permit. This was confirmed by Eco Nusantara in its August 2022 verification report⁶¹ and again in its November 2023 report, which found that PT ANA did not receive a cultivation permit “due to the increasing problem of unresolved land disputes ...”⁶² PT ANA has been operating since 2007 without this required permit, despite claims by the company that it is being processed.

When companies like PT ANA lack cultivation permits, this can be both a cause and an effect of protracted land conflicts with communities who have not granted these companies consent to operate.⁶³ The fact that PT ANA has been denied a cultivation permit due to

ongoing conflicts exposes AAL's upstream and downstream buyers, including palm oil traders and consumer brands, as well as AAL's financiers, to significant governance risks. The permitting failure should be grounds for PT ANA to cease operations and for the Indonesian government to investigate the company and levy sanctions, per Indonesian permitting and plantation laws.⁶⁴

New research reveals that two additional AAL subsidiaries operating in Central Sulawesi—PT Sawit Jaya Abadi and PT Rimbunan Alam Sentosa – also lack cultivation permits.⁶⁵ In its response to Friends of the Earth, AAL claims that PT Sawit Jaya Abadi does not need a HGU cultivation permit, as the company's concession is on transmigration land. However, Indonesian law stipulates the opposite: Companies *do* require a cultivation permit to operate on transmigration land.⁶⁶ Furthermore, as the transmigration land in question was designated in 2015, no transfer of rights can take place for 15 years, and it requires consent from rightsholders. As AAL claims that PT Sawit Jaya Abadi is operating a plasma scheme in a transmigration area, it first needs to receive FPIC from impacted communities. However, communities have not provided consent for PT Sawit Jaya Abadi's operations and claim that the company is overlapping with three villages: Masewe (200 hectares), Mean (450 hectares), and Saembalawati (100 hectares). Communities claim their forests have been razed and agricultural lands confiscated by PT Sawit Jaya Abadi.

AAL states that PT Rimbunan Alam Sentosa's plantation business permit (IUP) overlaps with a state company's HGU, which is a permitting irregularity that should prevent it from operating, as it cannot obtain an HGU without clean and clear land. This indicates that PT Rimbunan Alam Sentosa's operations may also be illegal.

Given these disputes, the Indonesian government should review the permits of all AAL's subsidiaries and, if AAL and its subsidiaries cannot substantiate their claims, should apply appropriate sanctions.

V. Enabling Conflict and Evading Responsibility

Unaccountable supply chains

Palm oil supply chains are notoriously complex. Numerous companies act as middlemen between plantations where palm fruit is grown and picked, to mills and refineries where it's processed, to sales where crude palm oil, palm kernel fruit, and other palm oil derivatives are sold to palm oil traders of various sizes before they reach large agribusiness traders, consumer brands, and retailers. While traceability in the sector has improved in recent years, AAL's violations in Sulawesi and the response of consumer brands and agribusiness traders reveal an ongoing failure of accountability for past and ongoing abuses.

A standard response from consumer brands and agribusiness traders alike to Friends of the Earth's inquiries has been, "We do not source directly from AAL." While companies may not directly buy palm oil from AAL, AAL's palm oil appears in their supply chains, which yield considerable profit. By failing to use their global platforms and economic leverage to drive AAL to remedy ongoing abuses and future harms, while continuing to source AAL's conflict palm oil, consumer brands and agribusiness traders are tolerating AAL's violations and effectively saying "this is not our problem." However, according to international human rights norms, as discussed below, companies have a responsibility to prevent and mitigate adverse human rights impacts "to the greatest extent possible."⁶⁷

The response of consumer brands

To date, ten consumer brands—Colgate-Palmolive, Danone, FrieslandCampina, Hershey's, Kellogg, L'Oréal, Mondelez, Nestlé, PepsiCo, and Procter & Gamble—have

announced that they have suspended sourcing from AAL entirely or from its three implicated subsidiaries in Sulawesi. However, questions remain regarding whether these suspensions translate into the removal of AAL's palm oil from supply chains. Disappointingly, none of the 10 companies that announced suspensions have directly engaged AAL for any meaningful period of time or with any clear result. Indeed, other than Procter & Gamble, which commissioned an abridged investigation in 2022 and subsequently failed to follow up, none of these companies appear to have engaged AAL at all. Despite abundant rhetoric about corporate responsibility, it appears that many consumer brands see their responsibility to address AAL's violations as fulfilled with their announcements to suspend sourcing from AAL's subsidiaries—despite continuing to do business with AAL as a whole.

The table below indicates consumer brands' responses and sourcing status from AAL based on the most recently available mill data,⁶⁸ including the four mills—Nusa Abadi, Tani Teladan, Letawa, and Pasangkayu—from which PT ANA, PT LTT, and PT Mamuang are known to or highly likely to supply oil palm fruit.⁶⁹ It is important to note that mill lists are not reflective of current sourcing, as there is a lag time between when mill lists are published and the time period they cover. For example, the most current mill lists available at the time of publication largely reflect sourcing in 2022 or early 2023. As most suspensions by consumer goods companies were announced after the period covered by publicly available mill lists, most sourcing data does not reflect these suspensions. This is indicated in the table below with a *. Friends of the Earth will continue to monitor publicly available data and engage with consumer brands to assess whether suspensions are being implemented. To that end, it would be useful for consumer

Table 5: Consumer Brands Sourcing From AAL

Company	Announced Suspension of Sourcing from AAL?	Extent of Suspension (according to company)	Date of Suspension (according to company)	Recent sourcing from mills associated with three implicated subsidiaries (according to most recent mill lists)	Number of total AAL mills in supply chain (according to most recent mill lists)
	No	-	-	Yes (Nusa Abadi, Tani Teladan, Letawa, Pasangkayu)	28
	Yes	Partial	October 2022	No	18
	Yes	Full	June 2022	No	13*
	Yes	Full	February 2023	Yes* (Nusa Abadi)	10*
	No	-	-	No	22
	No	-	-	Yes* (Nusa Abadi)	24
	Yes	Full	September 2022	Yes* (Nusa Abadi, Letawa)	16*
	No	-	-	Yes (Letawa, Pasangkayu)	16
	Yes	Partial	August 2023	No available mill list	No available mill list
	Yes	Full	October 2022	No available mill list	No available mill list
	Yes	Partial	March 2023	Yes (Nusa Abadi, Tani Teladan, Letawa, Pasangkayu)	26
	No	-	-	Yes (Letawa)	21
	Yes	Partial	September 2022	No	19
	Yes	Partial	March 2023	Yes* (Nusa Abadi, Tani Teladan, Letawa, Pasangkayu)	29
	Yes	Partial	September 2022	Yes* (Nusa Abadi, Letawa, Pasangkayu)	25
	No	-	-	Yes (Nusa Abadi, Letawa, Pasangkayu)	26
	No	-	-	Yes (Nusa Abadi, Letawa, Pasangkayu)	26
	No	-	-	Yes (Nusa Abadi, Letawa, Pasangkayu)	27

* - indicates a discrepancy with consumer goods companies' announcements of suspensions. As most suspensions were announced after the period covered by publicly available mill lists, most available sourcing data does not reflect these suspensions.

brands to publish no-buy lists to indicate the suppliers and mills from which they are committed to not source.

The 2023 OECD Guidelines for Multinational Enterprises state that enterprises should “Seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship.”⁷⁰ The Guidelines proceed to state that “Where an enterprise contributes or may contribute to such an impact, it should take the necessary steps to cease or prevent its contribution and use its leverage to mitigate any remaining impact to the greatest extent possible. Leverage is considered to exist where the enterprise has the ability to effect change in the practices of an entity that cause adverse human rights impacts.”⁷¹

Consumer brands’ failure to directly utilize their global platforms and leverage to push AAL to resolve conflicts, redress grievances, and remedy harm is a considerable failure to uphold their human rights obligations under the OECD Guidelines, regardless of whether or not they have halted sourcing from AAL’s implicated subsidiaries. Companies continuing to source from AAL are tacitly endorsing, and profiting from, a business model predicated on land theft and human rights abuses, instead of halting sourcing from AAL in order to fulfill their human rights obligations and hold the company accountable for violations.

The response of agribusiness traders

Publicly available mill data indicates that **ADM, Apical, Bunge, Cargill, Fuji Oil, KLK, Louis Dreyfus Company, Musim Mas, Olam, Sime Darby, and Wilmar source from AAL.**⁷² Direct engagement with consumer brands indicates that **Golden Agri Resources** may also source from AAL, though this was not reflected in publicly available mill data.

Publicly available mill data indicates that six agribusiness traders source from one or more of the mills associated with AAL subsidiaries PT ANA, PT LTT, and PT Mamuang: **ADM** (Nusa Abadi, Letawa, Pasangkayu), **Bunge** (Letawa),

Cargill (Letawa), **Fuji Oil** (Letawa), **Louis Dreyfus** (Tani Teladan), and **Olam** (Letawa).⁷³

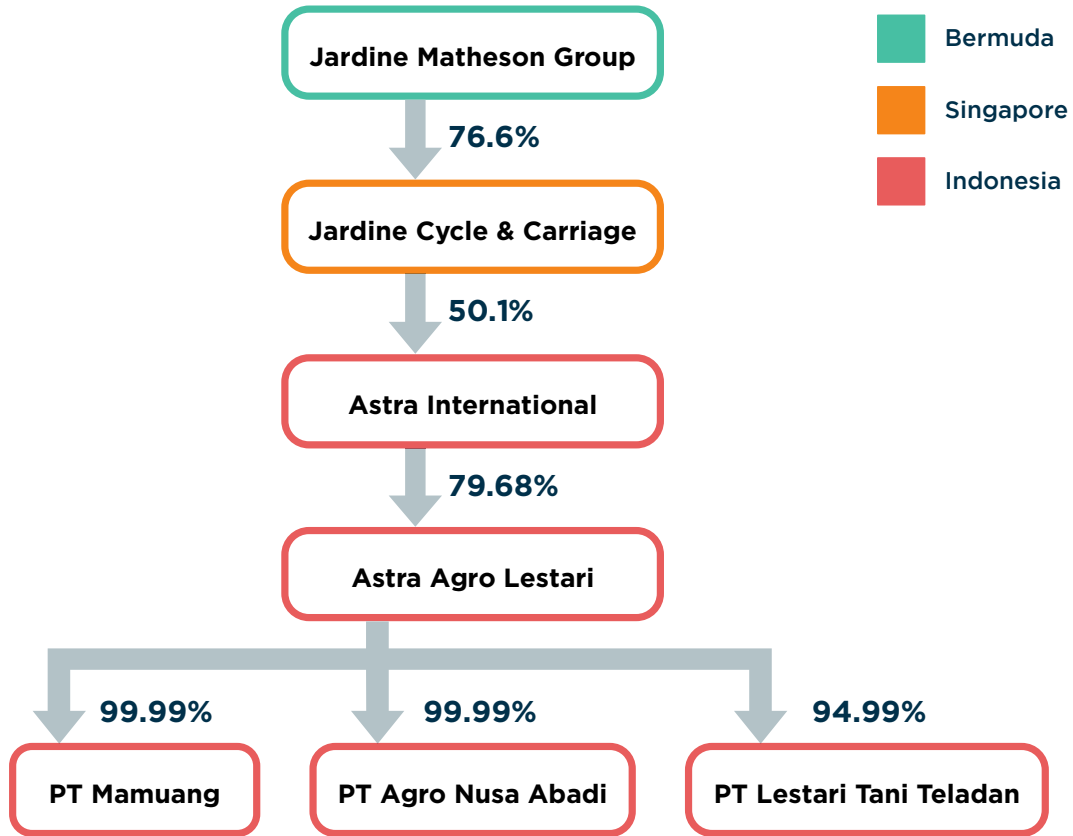
Friends of the Earth US asked several agribusiness traders how they were addressing AAL’s violations in Sulawesi. No company was willing to provide details of its engagement with AAL. A few companies directed attention to their online grievance trackers, which included assurances that they were monitoring the case. Several companies denied having a direct business relationship with AAL. While large agribusiness traders may not buy directly from AAL, if AAL’s palm oil appears in their supply chain, they have a responsibility to use their leverage to mitigate and prevent adverse impacts to the greatest extent possible.

Ownership of Astra Agro Lestari

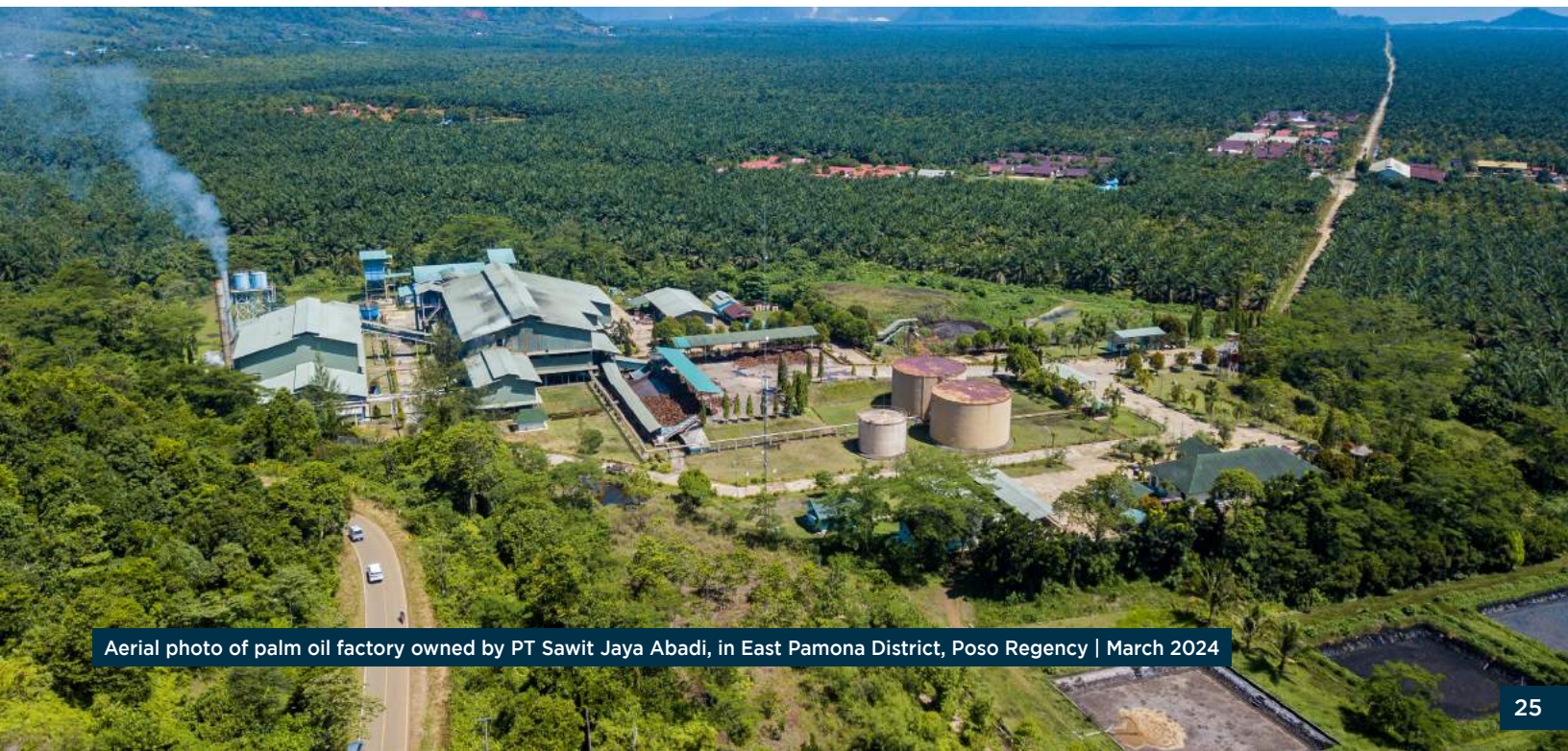
Nearly 80% of Astra Agro Lestari’s (IDX: AALI) shares are held by its parent company, **Astra International** (IDX: ASII), the largest independent automotive group in Southeast Asia, with business operations in financial services, mining, agribusiness, infrastructure, and information technology.

Jardine Matheson (LSEG: JARB, SGX: J36, BSX: JMHBD), a British conglomerate headquartered in Hong Kong and incorporated in Bermuda, holds a majority stake in Astra International through a Singaporean subsidiary. Jardine Matheson is exposed to Astra Agro Lestari’s palm oil operations in Indonesia through its 75%-owned subsidiary, Jardine Cycle & Carriage (SGX: C07), which in turn holds 50.1% of Astra International’s shares.

AAL Ownership Structure



Source: Astra Agro Lestari (2023, March), Embracing Opportunities: Annual Report 2022, p. 40, 68; Astra International (2023, March), Optimism in Adaptation and Innovation: Annual Report 2022, p. 56; Jardine Matheson (2023, March), Creating Long-term Sustainable Value: Annual Report 2022, p. 11.”



Aerial photo of palm oil factory owned by PT Sawit Jaya Abadi, in East Pamona District, Poso Regency | March 2024

AAL's financiers

Financial analysis reveals that as of Q3 2023, the largest shareholders⁷⁴ in AAL and its parent companies (Astra International, Jardine Matheson, Jardine Cycle & Carriage, and Jardine Strategic of the Jardine Matheson Group) are:




	\$116 million USD (or 12% of total shares)
	\$100 million USD (or 11% of total shares)
	\$100 million USD (or 11% of total shares)

Table 6: Forest-risk shareholdings in AAL group of companies

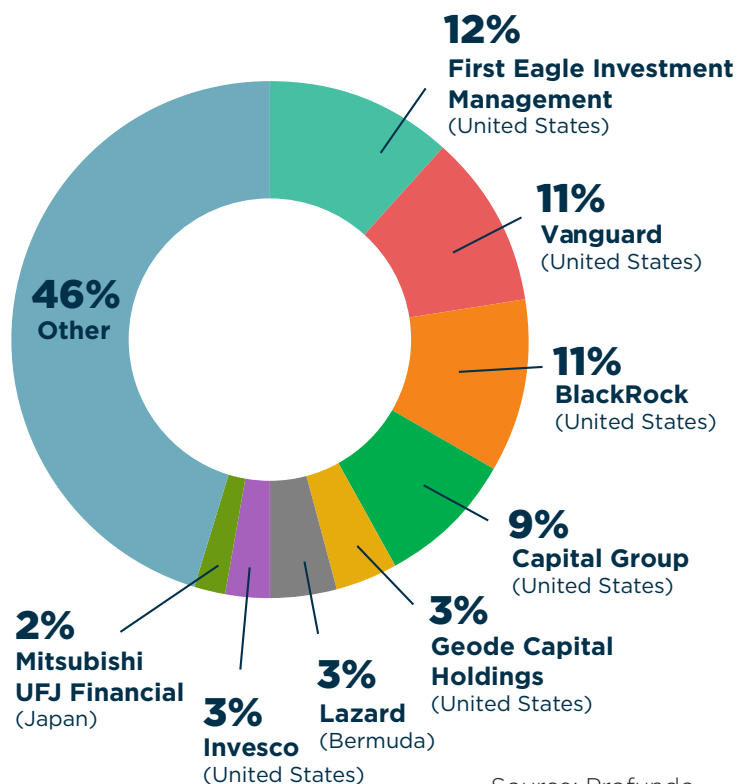
Investor	Value (US \$ mln)
First Eagle Investment Management (United States)	116.20
Vanguard (United States)	100.97
BlackRock (United States)	99.47
Capital Group (United States)	81.79
Geode Capital Holdings (United States)	29.24
Lazard (Bermuda)	28.15
Invesco (United States)	27.15
Mitsubishi UFJ Financial (Japan)	23.71

Source: Profundo



Members of the East Petasia Farmers Union on their land which is claimed by PT ANA in East Petasia District, North Morowali Regency | March 2024

Forest-risk shareholdings in AAL group of companies, September 2023



Source: Profundo

BlackRock's response to Astra Agro Lestari

In April 2023, BlackRock voted against the reelection of AAL's board of directors and commissioners due to "adverse impacts associated with their palm oil operations such as allegations that AAL had seized land from local farmers, operated with poor environmental standards, and was implicated in human rights abuses"⁷⁵ In 2022, BlackRock voted against directors and commissioners at AAL's parent company, Astra International, due to the same concerns.⁷⁶ However, shareholder analysis indicates that at the time of publication, BlackRock has *increased its holdings in AAL since violations were first brought to the firm's attention in March 2022.*⁷⁷

In its published commentaries, BlackRock acknowledges land use and deforestation as representing significant investment risk,⁷⁸ "community harm or displacement, particularly using contested land or infringing on Indigenous Peoples' rights" as a human rights risk⁷⁹ and that "a failure to obtain, in advance and on an on-going basis, free, prior and informed consent (FPIC) from those Peoples may expose companies to increased legal, reputational or regulatory risk, in light of various local and international laws and norms governing these relationship."⁸⁰

With a stated understanding of these risks and violations, BlackRock should escalate its response and fulfill its responsibility to address abuses by excluding AAL and its parent companies from its portfolios and adopt an agribusiness exclusion policy to accompany its existing coal exclusion policy.

Exclusion of Astra Agro Lestari and its parent companies from Norwegian Government Pension Fund Global

The Norwegian Government Pension Fund Global (GPF) **divested from AAL in 2011.**⁸¹ In February 2024, Norges Bank announced that it had excluded AAL parent companies Jardine Matheson Holdings, Jardine Cycle & Carriage, and Astra International from the Norwegian Government Pension Fund Global (GPF) due to negative environmental and biodiversity impacts related to the Martabe Gold Mine in Sumatra, Indonesia, and threats to the critically endangered Tapanuli orangutan and other endangered species.⁸² In its recommendation for exclusion, the Norwegian Council of Ethics references ongoing conflicts between communities and AAL, allegations of environmental and human rights abuses, and decisions by several consumer goods companies to suspend sourcing from AAL and its subsidiaries.⁸³

GPF's exclusion of Jardine Matheson Holdings, Jardine Cycle & Carriage, and Astra International reveals the increasing financial and reputational risks Jardine Matheson is incurring due to its failure to use its leverage to effectively advocate for AAL to redress grievances and remedy harm.

Between 2016 and 2023, the banks providing the largest loans and underwriting services to AAL and its parent companies were:

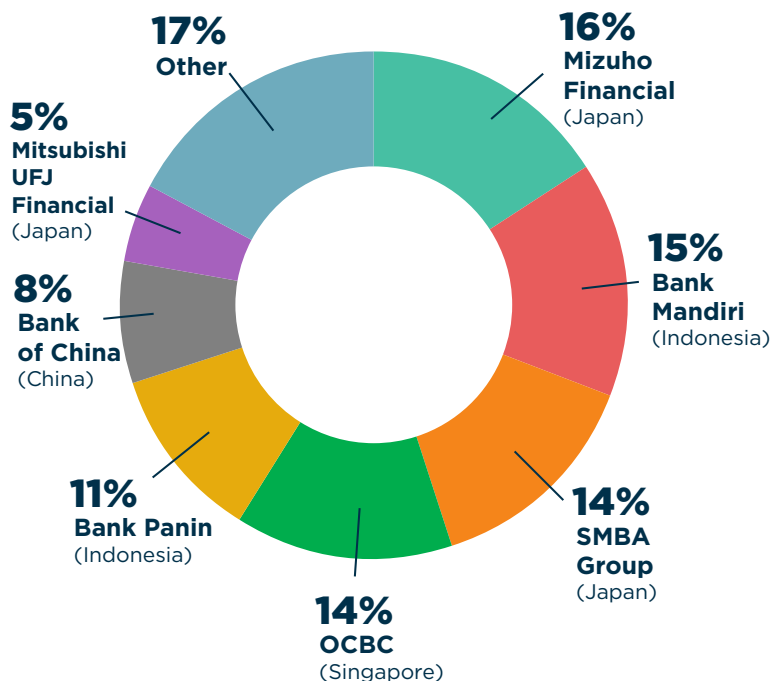


Table 7: Forest-risk loans and underwriting to AAL group of companies

Investor	Value (US \$ mln)
Mizuho Financial (Japan)	278.00
Bank Mandiri (Indonesia)	273.36
SMBC Group (Japan)	258.12
OCBC (Singapore)	256.74
Bank Panin (Indonesia)	190.46
Bank of China (China)	141.69
Mitsubishi UFJ Financial (Japan)	84.17
Other	306.77

Source: Profundo

Forest-risk loans and underwriting services to AAL group of companies, 2016-2023



Source: Profundo



Palm oil factory owned by PT Sawit Jaya Abadi 2 in East Pamona sub-district, Poso Regency | March 2024

While each investor may point to its minority ownership in AAL and its parent companies, the OECD has concluded that a relationship between an investor and investee company, including a minority shareholding, can be considered a business relationship.⁸⁴ The OECD goes on to state that “Investors, even those with minority shareholdings, may be directly linked to adverse impacts caused or contributed to by investee companies as a result of their ownership or management of shares in the company. In other words, the existence of Responsible Business Conduct (RBC) risks (potential impacts) or actual RBC impacts in an investor’s own investment portfolio means, in the vast majority of cases, there is direct linkage.”⁸⁵ The OECD Guidelines recognize that a company’s relationship to adverse impacts is not static.⁸⁶ For example, a financier’s failure to address and prevent adverse impacts caused by a client it continues to invest in may shift it from being directly linked to contributing to adverse impacts, which carries greater responsibilities, including a larger role for ensuring redress.

In terms of financiers’ responsibility to address risks and potential adverse impacts, the OECD identifies divestment as an appropriate response after failed attempts at mitigation, when mitigation may be unfeasible (which could be the case for minority shareholders), or due to the severity of adverse impacts. Exclusion of companies from financing could be warranted if an investor has limited leverage or has been unsuccessful in its engagement.⁸⁷

Twenty-nine financiers have excluded Jardine Matheson and/or its subsidiaries from financing due to climate and environmental concerns.⁸⁸ Following guidance from the OECD, financiers of AAL, Astra International, and Jardine Matheson should exclude these companies from financing, including from active and passive investments, due to ongoing violations, limited leverage, and the inability of AAL to redress grievances, until conflicts with communities have been resolved and meaningful remedy provided.

Twenty-nine financiers have excluded AAL parent company Jardine Matheson and/or its subsidiaries from financing due to climate and environmental concerns, while BlackRock, Vanguard, HSBC, and ABP Pension Fund, amongst others, continue to provide financing to AAL and its parent companies.

HSBC’s Financing of AAL and parent companies

According to research conducted by Profundo, HSBC is the tenth-largest bank providing forest risk loans and underwriting services to AAL and its parent companies, with a total of 38.7 million USD as of September 2023. HSBC also finances Wilmar, one AAL’s largest buyers. HSBC’s Agricultural Commodities Policy specifies that it “will not provide financial services to customers involved directly in or sourcing from suppliers involved in ... the violation of the rights of local communities, such as the principle of free prior and informed consent and operations where there is significant social conflict.”⁸⁹ The policy also states that HSBC will not provide financing to companies that are tied to deforestation through suppliers. Notably, HSBC lacks a human rights policy. Community leaders from Sulawesi met with HSBC in London in May 2024, calling on the company to end its financing to AAL and its parent companies and Wilmar.

VI. Recommendations

- **Astra Agro Lestari** should immediately commit to resolving conflicts with communities, redressing grievances, and remedying harm. AAL should return land to communities and farmers that was taken without their consent; provide compensation for loss of lands, crops, and livelihoods; support environmental restoration of damaged forests, rivers, and waterways; end criminalization of environmental human rights defenders; and issue an apology for harm done.
- As AAL's parent company, **Jardine Matheson** should respond publicly to communities' demands for redress and remedy and use its leverage to ensure resolution of conflicts, redress of grievances, and remedy for harm consistent with communities' requests, in order to avoid growing legal, regulatory, and reputational risks.
- **Consumer goods companies and agribusiness traders** should directly engage AAL toward halting abuses, addressing permitting irregularities and illegalities, and resolving conflicts, redressing grievances, and remedying harm. These companies should suspend all sourcing from AAL until this has occurred and post public updates on suspension and engagement decisions.
- **Financiers** should halt financing to AAL and its parent companies Astra International and Jardine Matheson until conflicts have been resolved, grievances redressed, remedy provided, and until environmental and human rights impacts and permitting irregularities have been addressed. Financiers should develop and implement agribusiness exclusion policies in order to mitigate risks and prevent adverse impacts as part of their climate and sustainability commitments and policies. Responsible financiers should develop fair finance instruments to promote agroecology and community-based forest management while supporting increased government regulation of the financial sector.
- The **Indonesian government** should facilitate the return of land taken by AAL without consent to communities and farmers and evaluate the legal status of AAL subsidiaries operating in state forest areas. Based on this evaluation, the Indonesian government should revoke or reduce companies' permits, sanction companies that have violated permitting laws and regulations, require AAL to restore degraded forests and waterways, and clear the names of community members and environmental human rights defenders who have been criminalized. In order to protect Indonesia's forests, the government should halt all plantation expansion inside the forest estate and other natural forests, as well as provide open access to land use data and permits. The Indonesian government should reinstate a palm oil moratorium and support a shift toward *Ekonomi Nusantara*—community-centered economy based on community forest management and agroecology.
- The **U.S. government** should increase regulatory efforts to rein in the negative climate, environmental, and human rights impacts of industrial agribusiness operations, including deforestation, land grabbing, human rights abuses, and violence and criminalization against environmental human rights defenders.
- **EU governments**, in collaboration with the **European Commission**, should ensure that the EUDR is effectively implemented and should similarly regulate financiers that bankroll deforestation and associated human rights abuses.

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